

**Health Insurance Advisory Council
Minutes of November 15, 2005 Meeting
5 – 6:30 PM,
Hearing Room
Department of Business Regulation
233 Richmond Street
Providence, RI**

Attendance:

Co- Chairs: Chris Koller and Rick Brooks

Members: Hub Brennan, Domenic Delmonico, Howard Dulude, Dan Egan, Annamarie Monks, Craig O' Connor, Serena Sposato, Matthew Stark, Peter Quattromani, Dawn Wardyga

Health Plans: Tom Boyd, Jason Martiesian, Ken Pariseau

OHIC Staff: John Cogan, Patricia Huschle

Excused: Lisa Ahart, Mike Frazier, Patrick Quinn, Ann Rhodes

Guests: James Purcell, Dennis Michaud, Terry Martiesian

1. Introductions

- Members of the Council introduced themselves.**

2. Minutes

- Minutes from the October meeting were adopted. Dawn Wardyga noted that she was in attendance at the last Council meeting. Ms. Wardyga's attendance was not reflected in the Minutes of the October meeting. There were no other changes to the Minutes suggested.

3. Revised Agenda

- A revised agenda of the Council's activities for the next year was presented. The revised agenda is attached to these minutes. The revisions comply with statutory requirements.

4. Blue Cross Board Compensation

- Blue Cross' application for board compensation was circulated to the members of the Council prior to the meeting. Mr. Koller provided background information on the application. The Council also received an analysis of the application prepared by the staff of the OHIC. The Council did not have any questions about the OHIC analysis.

- The compensation consists of the following annual retainers plus additional fees:

- § Annual Board Chair retainer \$20,000

- § Annual Committee Chair retainer \$15,000

- § Annual Board retainer \$12,500

- § Board Meeting fee \$750

- § Committee Meeting fee \$750

- Blue Cross seeks to compensate its board, on average, about \$25,000 per year.

· Blue Cross was given an opportunity to present its case for compensating its board of directors. Jim Purcell, CEO of Blue Cross, made a presentation. Also, Dennis Michaud, a Blue Cross consultant, spoke on behalf of Blue Cross. None of the Blue Cross board members was present. Mr. Purcell advocated payment for the Blue Cross board for several reasons. Those reasons included:

§ Health insurance is complex and requires a fully involved, highly skill board

§ Blue Cross must compete with for-profit insurers

§ Board members put in about 250 hours per year

§ The compensation sought by Blue Cross is modest compared to the compensation offered to other similar boards

§ Compensation makes the Board more accountable and promotes the level of board focus required by management

§ Compensation for health insurance company boards is industry practice

· After Blue Cross presented its case, members of the Council posed questions to Mr. Purcell. While a majority of the Council felt that some compensation was appropriate, the Council members expressed concerns about the amount Blue Cross proposed to pay its board members. The issues and questions raised by the Council included:

§ Is a compensated board less likely to criticize management?

§ Enron and Worldcom demonstrate that compensated boards do not always act in the best interests of the corporation

§ Public confidence in Blue Cross and its board is not high. Opinions

offered that public perception is that board and Blue Cross not attentive to interests of insureds

§ Board compensation is different for non-profits than for for-profits.

§ Is service on a health insurance company board substantially different from service on a hospital board?

§ Does Blue Cross really want board members who only want to serve if they are paid substantial amounts?

§ How do you tell if compensation makes board members better?

§ Did a lack of compensation drive away board members over the last year and a half or make it harder for Blue Cross to recruit new members?

§ Why didn't board members attend the Council meeting?

After the presentation and questions, the Council asked to take an informal poll to give the Commissioner a sense of where the Council members stood. The Council members made it clear that they did not accept Blue Cross' arguments for board compensation. A sizeable majority of the members felt that there should be some compensation, but at a nominal amount. The amount of \$250 per meeting was discussed by several members. A small number of Council members felt that no compensation is appropriate.

Mr. Koller indicated that he would issue a decision in the coming weeks. He thanked the Council members for their active engagement on this issue. He also thanked Blue Cross for appearing before the Council.

5. Next Meeting

a. Tuesday December 20th (third Tuesday of month). 5 pm. DBR

Attachments: Revised Agenda for HIAC for 2006